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Department of State **TELEGRAM**

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EXCISE

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ACTION XMB-04

INFO OCT-01 EA-07 ISO-00 OES-06 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 OPIC-03 LAB-04

SIL-01 L-03 NRC-05 /091 W
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R 040949Z MAY 76
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC 6942
INFO ERDA GERMANTOWN

DEPARTMENT OF STATE A/CDC/MR
REVIEWED BY HBN DATE 5/21/82
PORTIONS DENIED AS INDICATED

C O N F I D E N T I A L SEOUL 3304

STATE PASS EXIMBANK

E.O. 11652: GDS
TAGS: PARM, TECH, MNUC, ETRD, EFIN, KS
SUBJECT: STATUS KORI II NUCLEAR AND COMBINED CYCLE POWER PROJECTS

134-703 134-1023
REF: (A) STATE 084777, (B) SEOUL 2648

1. IN COURSE MAY 3 DISCUSSION WITH EMBOFF RE KORI II PROJECT KOREA ELECTRIC COMPANY (KECO) OFFICIALS PROVIDED FOLLOWING:

A) KORI II NEGOTIATIONS WITH WESTINGHOUSE (WELCO) ARE CONTINUING WITH NEXT EXCHANGE OF PROPOSALS SLATED FOR MAY 6-8. WELCO VICE PRESIDENT HAMSABI IS TO PRESENT COST DATA FOR NEW PROJECT BASED ON KECO REQUEST FOR 800-900 MEGAWATT UNIT USING DECEMBER 1975 PRICE INDEX ON MATERIALS.

B) KECO HOPES TO REDUCE MOST RECENT WELCO PROPOSAL FOR KORI II COST

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AND

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HAS COMPLETED EXTENSIVE COSTING OUT EXERCISE IN SUPPORT OF THIS POSITION.

C) KECO REPRESENTATIVE EXECUTIVE VICE PRESIDENT SUNG NACK-CHUNG, WHO IS PRINCIPAL NEGOTIATOR WITH WELCO, WILL ACCOMPANY DPM NAM ON WASHINGTON TRIP DEPARTING MAY 8. SUNG HOPES TO CARRY WITH HIM FOR MEETINGS WITH EXIMBANK REPS FULL DATA ON KECO ESTIMATES FOR KORI II AS WELL AS, IF NEGOTIATIONS WITH WELCO PERMIT, INDICATION OF WELCO-KECO ARRANGEMENTS FOR KORI II CONTRACT.

D) ADDITIONALLY, SUNG WILL COME PREPARED TO DISCUSS WITH EXIMBANK ENTIRE KECO EXPANSION PLANNING AND ALSO ASSIGN RELATIVE PRIORITIES OF KORI II, COMBINED CYCLE TWIN UNIT PROJECT, AND OTHER CONVENTIONAL PLANTS WHICH KECO HOPES TO CONTRACT FOR IN NEXT TWO TO THREE YEARS. SUNG INDICATES KECO AND ROKG WILL HAVE REACHED DECISION ON SUPPLIER FOR COMBINED CYCLE PROJECT BY MAY 8 DEPARTURE OF DPM NAM AND ROKG WOULD HOPE TO FIRM UP FINANCING OF THAT PROJECT, AMONG OTHERS, DURING NAM'S VISIT.

2. FYI: LATEST INFORMATION AVAILABLE TO EMBASSY INDICATES ONLY TWO FIRMS REMAIN IN CONTEST FOR COMBINED CYCLE PROJECT, GENERAL ELECTRIC (GE) OF U.S. AND SWISS FIRM OF BROWN BOVARI (BBC) WITH U.S. FIRM OF TURBODYNE SUPPLYING LARGE PORTION OF SWISS PACKAGE. BBC PRICE IS REPORTED TO BE APPROXIMATELY DOLLARS 10 MILLION ABOVE THAT OF GE BUT RECENT HARD MANEUVERING BY UNOFFICIAL LOCAL BBC REP, AND ISRAELI CITIZEN, SOL EISENBERG, HAS PLACED BBC ON ESSENTIALLY EVEN BARGAINING PLANE WITH GE. EISENBERG FINANCIAL PACKAGE IS COMPLETE (WITH KECO BELIEVING GE IS STILL LOOKING TO EXIMBANK FOR FUNDING), IS OFFERED ON SOFTER TERMS, AND BBC IS PROMISING FOUR MONTH DELIVERY (ORDER TO START UP) FOR FIRST UNIT.

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